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ACT OF LEASE AMENDMENT

STATE OF TEXAS

COUNTY OF TARRANT

Reference is hereby made for all purposes to that certain Oil, Gas and Mineral Lease (hereinafter referred to as "Said Lease") executed by DANIEL C. HORNBAKER and wife, PATRICIA M. HORNBAKER, as Lessors, in favor of HILLWOOD ENERGY TEXAS, L.P., as Lessee, dated March 10th, 2008, and recorded as Instrument Number D208221231, of the public records of Tarrant County, Texas.

WHEREAS, all parties desire to amend, reform and correct Said Lease so as to properly set forth additional provisions to the lease, so that Said Lease, as amended, would correctly set forth the intention of the parties.

NOW, THEREFORE, in consideration of Ten and 00/100 Dollars (\$10.00), and other valuable considerations, the receipt, adequacy and sufficiency of which are hereby acknowledged, and of other benefits accruing and to accrue to the Lessor in and under Said Lease, and in order to set forth and fully effectuate the true intention of the parties, DANIEL C. HORNBAKER and wife, PATRICIA M. HORNBAKER, as Lessors in and under Said Lease, do hereby amend, reform and correct Said Lease to include the Exhibit "A" attached hereto.

Except as expressly amended, reformed and corrected herein, Said Lease is to remain in full force and effect in accordance with the terms and provisions thereof.

The Clerk of Court in and for Tarrant County, Texas, is hereby requested to make mention of the Act of Lease Amendment in the appropriate margin of his records to serve as occasion may require.

This instrument shall be binding upon, and inure to the benefit of, the parties hereto, their respective heirs, successors and assigns.

IN-WITNESS WHEREOF, this Act of Lease Amendment is executed this 26th day of August, 2008.

LESSORS:

D. C. Hornbaker
DANIEL C. HORNBAKER

P. M. Hornbaker
PATRICIA M. HORNBAKER

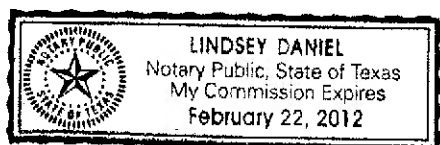
ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF TARRANT

This instrument was acknowledged before me on the 21st day of August, 2008 by DANIEL C. HORNBAKER and wife, PATRICIA M. HORNBAKER.

(Seal)



Lindsey Daniel
NOTARY

ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF _____

On this _____ day of _____, 2008, before me appeared _____, who, being by me duly sworn, did say that he/she is the _____ of HILLWOOD ENERGY, L.P., a Texas limited partnership, and that said instrument was signed on behalf of said limited partnership.

(Seal)

NOTARY

RETIRO, CTG
Doyle Land Services
417 Keller Parkway
Keller, Texas 76248
817-567-9411

H1-CT-0294

Exhibit "A"

Attached to and made a part of that certain Amended Paid-Up Oil And Gas Lease dated March 10th, 2008, by and between DANIEL C. HORNBAKER and wife, PATRICIA M. HORNBAKER, as Lessor, and Hillwood Energy, LP, as Lessee.

1. The provisions of the hereinafter paragraphs shall supersede and govern the provisions of the printed form text of this Lease and shall inure to the benefit of, and be binding upon the parties hereto, and their respective heirs, representatives, successors and assigns.

2. **Noise.** Noise levels associated with Lessee's operations related to the drilling, completion and reworking of wells shall be kept to a reasonable minimum, taking into consideration reasonably available equipment and technology in the oil and gas industry, the level and nature of development and surface use elsewhere in the vicinity of Lessee's drill sites and the fact Lessee's operation are being conducted in or near an urban residential area. If Lessee utilizes any non-electric-powered equipment in its operations, Lessee shall take reasonable steps to muffle the sound therefrom by installing a noise suppression muffler or like equipment.

3. **Environmental Compliance.** Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, Said Lands or lands pooled therewith, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on Said Lands or lands pooled therewith any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), 42 U. S. C. Sections 9601, et seq.) or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary usual manner and quantities. LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR, ITS AGENTS, EMPLOYEES, TENANTS, GUESTS, INVITEES AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGEMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER OR ABOUT SAID LANDS OR LANDS POOLED THEREWITH DURING LESSEE'S OCCUPANCY OR CONTROL OF SAME. LESSEE SHALL CLEAN UP, REMOVE, REMEDY, AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER OR ABOUT SAID LANDS OR LANDS POOLED THEREWITH DURING LESSEE'S OCCUPANCY OF SAME IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE LESSOR WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT SAID LANDS OR LANDS POOLED THEREWITH. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION FOR ANY REASON OF THIS LEASE.

4. **Indemnity.** LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS

Exhibit "A" (Continued)

AND LOSS OR DAMAGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, ATTORNEY'S FEES, EXPERT FEES, AND COURT COST, CAUSED BY LESSEE'S OPERATIONS ON SAID LAND OR LANDS POOLED THEREWITH OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS.

5. **Venue and Legal Fees.** Venue for any dispute arising under this Lease shall lie in Tarrant County, Texas, where all obligations under this Lease are performable. At any time that any obligation of the Lessee to make a payment shall not be complied with in accordance with the terms of the Lease, it is agreed and understood that Lessee will pay to Lessor interest thereon at the highest lawful rate allowed to be charged to Lessee by Lessor under the then existing Statutes of the State of Texas. In addition, in the event of the breach of any provision of the Lease, Lessee shall pay to Lessor all costs and expenses reasonably incurred including reasonable attorney's fees and costs of court incurred by Lessor for the enforcement of the provisions of this Lease. It is agreed and understood that time is of the essence in the performing of each responsibility under the terms of this lease.

6. **Subordination Agreement Fees.** Notwithstanding anything contained herein to the contrary, neither Lessee nor Lessee's assigns shall ever require a subordination, partial release of lien, release of lien, consent or other documentation from any lender of Lessor that has a lien on said land as a condition to Lessor receiving the agreed signing bonus or any subsequent royalty payment. However, Lessor will cooperate with any reasonable effort of Lessee to obtain same from Lessor's lender on behalf of Lessor.

7. **Set-Back.** No well shall be located less than one-thousand (1000) feet from any house or barn now on the leased premises without Lessor's consent.

8. **Deductions.** It is agreed between the Lessor and Lessee, that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this Lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form. Further, in no event shall Lessor receive a price that is less than the price received by Lessee from an arms-length contract with a purchaser that is not an affiliate of Lessee. It is the specific intent of the parties to this Lease that this provision is to be treated as enforceable as written and is not to be deemed "surplusage" under the principals set forth in *Heritage Resources, Inc. v. Nations Bank*, 939 S.W.2d 118 (Tex. 1996).

9. **Continuous Development (Density).** Lessee shall drill as many horizontal wells from each drillsite as is the lesser in density (i.e. the lesser number of wells) of (i) that which is reasonably practicable in accordance with good oilfield practices and taking into account all geological and geophysical information known to Lessee, and/or (ii) one well per 40 acres in the pooled unit. Further, each drillsite should be located in such a manner as to facilitate the drilling of as many wells as possible from such drillsite in order to minimize the number of drillsites on lands pooled herewith.

10. **Surface Operations.** NO SURFACE OPERATIONS. NOTWITHSTANDING ANY LANGUAGE CONTAINED HEREIN TO THE CONTRARY, NO SURFACE RIGHTS ARE BEING GRANTED UNDER THIS LEASE, AND LESSEE HEREBY EXPRESSLY WAIVES AND RELEASES ANY AND ALL SURFACE RIGHTS OF EVERY KIND AND NATURE ACQUIRED UNDER THIS LEASE, IF ANY. ACCORDINGLY, LESSEE SHALL NOT (I) CONDUCT ANY SURFACE OPERATIONS WHATSOEVER UPON THE LAND, (II) PLACE ANY PERSONAL PROPERTY, FIXTURES OR EQUIPMENT UPON THE LAND, OR (III) ENTER UPON THE LAND FOR ANY REASON OR FOR ANY AMOUNT OF TIME; HOWEVER, THIS LIMITATION SHALL NOT AFFECT THE RIGHT OF LESSEE OR ITS SUCCESSORS AND ASSIGNS TO UTILIZE THE SUBSURFACE OF THE LAND OR ENGAGE IN DIRECTIONAL OR

Exhibit "A" (Continued)

HORIZONTAL DRILLING ACTIVITY WHICH COMES UNDER THE LAND AND/OR FROM POOLING IN ACCORDANCE WITH THIS LEASE, AS LONG AS SAID DRILLING ACTIVITY IS AT A DEPTH SO AS TO NOT INTERFERE WITH OR IN ANY WAY AFFECT THE PRESENT OR FUTURE USE OF THE SURFACE OF THE LAND FOR RESIDENTIAL OR ANY OTHER USE, AND IN NO EVENT MAY THE MINING OR DRILLING ACTIVITY PENETRATE THE LAND AT A DEPTH OF LESS THAN 1,000 FEET BELOW THE SURFACE. FURTHER, LESSEE WILL MEET ALL CITY ORDINANCES IN THE DRILLING OF WELLS FROM SURFACE LOCATIONS THAT OFFSET THE LAND. THIS PROVISION SHALL SURVIVE TERMINATION OF THE LEASE.

11. **Assignments.** The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. Lessee shall notify Lessor in writing of any assignment or sublease of this Lease. Lessee and its assignees and sublessee's of an interest in this Lease shall be joint and severally liable for all of Lessee's obligations under this Lease.

12. **Eminent Domain.** Lessee, for itself and its successors and assigns, hereby waives any right of eminent domain possessed by Lessee, or any affiliate, assignee or successor of Lessee to acquire any right of way or easement, or make use of any existing right of way or easement, for the transportation of gas, oil or any other substance through, across and/or under the Land.

13. **No Warranties.** Lessor makes no warranty of any kind, either express or implied, with respect to title to the Land or the minerals subject to this Lease. However, if Lessor owns an interest in the Land or the minerals subject to this Lease less than the entire fee simple estate, then the royalties payable hereunder will be reduced proportionately. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land and the minerals subject to this Lease, and Lessee assumes all risk of title failures, and in connection therewith Lessee shall have no recourse against Lessor, including no right to a refund of the bonus and royalties paid for or under this Lease. Further, in the event Lessor does not own all of the minerals subject to this Lease, Lessee agrees that it will not drill, conduct operations or participate in drilling or operations on the Land, which are not in compliance with the terms and requirements of this Lease, by claiming other authority under a lease, deed, conveyance or by other authority covering the outstanding oil, gas and other mineral interests. This provision shall survive termination of the Lease.

14. **Inspection of Lessee's Records.** Upon written request, Lessor and/or Lessor's representatives shall have the right to inspect all lease and title records and well records of Lessee relating to this Lease, operations conducted on or in connection with this Lease or lands pooled herein, and the sale and marketing of production from the Lease, including contracts for the sale of any production from the Lease, and the payment of royalties, including the right to audit Lessee's books insofar as they relate to the foregoing. Such inspection shall be limited to an annual basis only and during Lessee's normal business hours.

15. **Compliance With Governing Law.** Lessee will conduct all operations under this Lease and/or on lands pooled herewith in compliance with the greater and more stringent of the current and future rules of the Railroad Commission of Texas, all federal, state and local laws, rules, regulations, and ordinances, including without limitation all environmental laws, rules, regulations and ordinances.

16. **Excess Royalty Payments.** Any payment of royalty or Shut-in Royalty hereunder paid to Lessor in excess of the amount actually due to the Lessor shall nevertheless become the property of Lessor if Lessee does not make written request to Lessor for reimbursement within one (1) year from the date that Lessor received the erroneous payment, it being agreed and expressly understood between the parties hereto that Lessor is not the collecting agent for any other royalty owner under the Land, and a determination of the name, interest ownership and whereabouts of any person entitled to any payment whatsoever under the terms hereof shall be the sole responsibility of Lessee. It is further expressly agreed and understood that this provision shall in no way diminish the obligation of Lessee to make full and punctual

Exhibit "A" (Continued)

payments of all amounts due to Lessor or to any other person under the terms and provisions of this Lease. If Lessee provides proper and timely notice to Lessor of any overpayments made to Lessor, such overpayments shall only be made up by Lessee against future royalty payments to Lessor not to exceed more than twenty five percent (25%) of any monthly royalty payment due Lessor. Should such monthly royalty payments cease under this Lease prior to Lessee recouping any such overpayments out of a portion of Lessor's monthly royalty, Lessee shall absorb such loss in its entirety without any liability to or reimbursement from Lessor.

17. Environmental and Operational Provisions.

(a) **General Urban Constraints.** Lessee's operations are being conducted in or near an urban residential area. Therefore, with regard to any well drilled within 1,000 feet of said Land, subject to Lessor's written consent stating otherwise, Lessee shall:

- (1) Equip any and all compressors, machinery and drilling equipment with the latest technology in noise suppression, muffling devices and pollution constraints, including for the suppression of dust, vibration, noxious odors, airborne pollutants and harmful fumes;
- (2) Employ and use a Flex 4 Drilling Rig or other technologically advanced drilling rig;
- (3) Not operate or maintain any compressors within two (2) miles of said Land;
- (4) Maintain noise levels at said Land associated with Lessee's operations not to exceed noise levels specified in the City of Keller Ordinance 10-1030 (i.e. not more than 90 decibels at any point 300 feet from the boundary of the drillsite, as of the effective date of the Lease, and any future ordinance if said ordinance requires a further reduction in noise levels;
- (5) Odorize all gas before it leaves or is transported from a drillsite on lands pooled herewith;
- (6) While drilling operations are taking place, place lighting directed on the derrick and drill site area for safety reasons, and take all reasonable precautions to avoid directing the lighting onto surrounding neighborhoods and properties; and
- (7) Place any structure of any kind to be used as a dwelling house for any persons associated with the operations.

(b) **Traffic and Road Usage.** Lessee, its agents, assigns, and sub-contractors shall not enter, travel upon, or use in any way or manner (including the parking of any vehicles) any of the inner-residential streets of Lessor's subdivision or neighborhood containing said Land for any of Lessee's operations. Further, trucks weighing in excess of $\frac{3}{4}$ of a ton shall not be permitted to park overnight on any drillsite within 1,000 feet of said Land. No vehicle of any size which transports inflammatory or explosive cargo may be kept in the subdivision or neighborhood at any time. Lessee shall not use any property in Lessor's subdivision or neighborhood for the dumping of trash or other waste. Lessee shall keep all neighborhood streets reasonably free of debris from Lessee's operations.

(c) **Groundwater Protection.** Any oil or gas wells drilled by Lessee shall be drilled in compliance with the surface casing requirements imposed by the State of Texas for groundwater protection and Lessee shall install such surface casing in the required manner in order to insure the protection of all fresh water bearing formations in and under the Land. Further, Lessee agrees to conduct water quality testing on any water wells available on lands pooled with the Land, as follows: (1) an initial baseline water quality test to be conducted no more than 60 days before Lessee commences actual drilling for the first well from Lessee's drillsite located on lands to be pooled with the Land, and (2) re-testing 1 year following completion of the first well, and (3) repeat testing every three years thereafter, as long as this Lease remains in effect. The testing shall be done by a

Exhibit "A" (Continued)

qualified professional water testing firm and will include, but not be limited to, testing for gas, minerals, metals, volatile organic compounds (VOC's), and semi-volatile organic compounds (SVOCs).

(d) **Visual Appearance.** Lessee shall maintain any drillsites within 1,000 feet of the Land in a neat and orderly fashion. For safety and appearance, Lessee shall construct and install fencing and other decorative materials or vegetation around each drillsite and related facilities in a visually appealing manner, in an effort to maintain the continuity of the surrounding area, and shall maintain the fences in a good state of repair. Upon conclusion of Lessee's drilling and completion operations, Lessee shall restore that portion of the drillsite not being utilized by Lessee for producing operations as nearly as is reasonably practicable to its original state. In addition, Lessee shall maintain the drillsite in a manner whereby it shall be free of noxious vegetation and debris resulting from Lessee's operations. Upon lease expiration, Lessee shall remove all of Lessee's equipment and restore the surface of the ground on the drillsite as nearly as is reasonably practicable to its original state.

(e) **Dust.** Aggregate and other dust producing materials used by Lessee shall be dampened or washed regularly to prevent dust.

(f) **Mud Pits.** Lessee shall locate no mud pits on lands located within 1,000 feet of the Land.

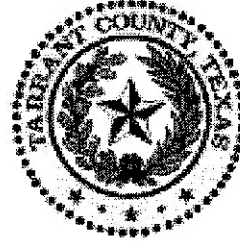
(g) **Remedial Action.** Any remedial action or activities required of Lessee under this Lease shall be addressed and the remedial work commenced within the earlier of twenty (20) days or a reasonable amount of time under the circumstances, dependent on the nature of the remedial work, and must be diligently pursued until fully performed.

(h) **Water Wells.** Lessee shall not drill any water wells within 1,000 feet of said Land.

18. Lessee has not paid any special incentives, including, but not limited to, monies, stocks, bonds, property, promises of future employment, explicit or implied, or promises of future business relationships, explicit or implied were given or promised by Hillwood Energy, Doyle Land Company or any other associates, subordinates or surrogates of Hillwood Energy to any former or current resident of the Oakmont Hills community for the purpose of championing, or influencing other members of the Oakmont Hills community to sign any oil and gas lease with Hillwood Energy individually or collectively.

19. Upon execution of this lease, Lessee acknowledges that if at any future date, if is discovered that any of the aforementioned incentives were given to present or former residents of Oakmont Hills community, this Lease will be declared null and void and Hillwood Energy will be liable for triple damages as determined by a court of appropriate jurisdiction.

20. **Depth Severance.** At the end of the primary term of this Lease, or any extension thereof, this Lease shall terminate as to all depths lying one hundred feet (100') below the stratigraphic equivalent of the deepest formation from which any well commenced in the primary term or any extension thereof is drilled and completed as a well capable of commercial production in paying quantities on any lands pooled with the Land.



DOYLE LAND SERVICES
417 KELLER PKWY

KELLER TX 76248

Submitter: JEFFREY M LANDRY

SUZANNE HENDERSON
TARRANT COUNTY CLERK
TARRANT COUNTY COURTHOUSE
100 WEST WEATHERFORD
FORT WORTH, TX 76196-0401

DO NOT DESTROY
WARNING - THIS IS PART OF THE OFFICIAL RECORD.

Filed For Registration: 12/01/2008 01:09 PM
Instrument #: D208440627
LSE 8 PGS \$40.00

By: _____



D208440627

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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